

OVERSIGHT BOARD AGENDA STAFF REPORT

TO: Honorable Chair and Members of the Oversight Board

FROM: Francesca Tucker-Schuyler, Executive Director of Successor Agency

SUBJECT: Request that the Oversight Board Approve the Refunding of Certain Long Term Debt of the Successor Agency to the Former Community Redevelopment Agency of the City of Montebello

DATE: June 3, 2015

SUMMARY

The Successor Agency seeks Oversight Board approval to refund certain long term debt of the former Community Redevelopment Agency of the City of Montebello (“CRA”), resulting in over \$3 million in cumulative savings to affected taxing entities.

BACKGROUND/ANALYSIS:

The former CRA adopted redevelopment plans for the Montebello Hills Project Area, the South Montebello Industrial Project Area and the Montebello Economic Revitalization Project Area, (collectively, the “Project Areas”), each located within the City of Montebello (the “City”).

To finance various projects within the Project Areas, the former CRA issued several series of tax allocation bonds (the “CRA Bonds”). The CRA Bonds were payable from tax increment derived from the related Project Area or deposited in the CRA’s low and moderate income housing fund, as applicable.

On June 28, 2011, the California Legislature adopted ABx1 26 to, *inter alia*, dissolve existing redevelopment agencies, including the CRA. In accordance with the legislation, the CRA was dissolved on February 1, 2012.

The Successor Agency now desires to achieve debt service savings and to assist the local taxing entities by refunding or prepaying all or a portion of certain of the CRA Bonds listed in Exhibit B to the Resolution that is to be considered by the Oversight Board, with the proceeds of its proposed Successor Agency Montebello Subordinate Tax Allocation Refunding Bonds to be issued in one or more series on a taxable or tax-exempt basis (the “Successor Agency Bonds”). The payment of the Successor Agency Bonds will be on a subordinate basis to the payment of the outstanding CRA Bonds that will not be refunded.

The interest rate market continues to be favorable and would allow the Successor Agency to issue approximately \$36,000,000 in one or more series of tax-exempt and/or taxable Successor

Agency Bonds. Staff believes it is appropriate and beneficial to take advantage of the favorable market rates at this time.

As more extensively detailed in the presentation documents submitted herewith, Staff anticipates this refunding transaction will result in a cumulative savings to affected taxing entities of approximately \$3.2 million over the next ten (10) years.

RECOMMENDATION

That the Oversight Board approve the resolution attached as Exhibit “A”, approving the various Successor Agency actions taking on May 27, 2015, including: the Successor Agency’s issuance of Successor Agency Bonds in the combined amount (Taxable and Tax-Exempt) of not to exceed \$36,000,000; determining that there are significant public benefits from the issuance of the Successor Agency Bonds and the refunding of the CRA Bonds; and approving the Indenture for the Successor Agency Bonds setting forth the covenants and conditions for each series of Successor Agency Bonds and the duties of the trustee to the owners thereof.

Attachments: Resolutions
Refunding Presentation

RESOLUTION NO. _____

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR
AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF MONTEBELLO APPROVING A RESOLUTION OF THE
SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF MONTEBELLO AND CERTAIN ACTIONS RELATING
THERE TO**

WHEREAS, the Community Redevelopment Agency of the City of Montebello (the “Predecessor Agency”) was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the “Health and Safety Code”), and the powers of the Predecessor Agency included the power to issue bonds and enter into obligations for any of its corporate purposes;

WHEREAS, the original redevelopment plan for the Montebello Hills Project Area was approved by the City Council of the City of Montebello (the “City”) on June 19, 1975, pursuant to Ordinance Nos. 1577 and 1578, and has been amended from time to time (the “Montebello Hills Project Area”);

WHEREAS, the original redevelopment plan for the South Montebello Industrial Project Area was approved by the City Council of the City on July 23, 1973, pursuant to Ordinance No. 1492, and has been amended from time to time (the “South Montebello Industrial Project Area” and, together with the Montebello Hills Project Area, the “Project Areas”);

WHEREAS, the original redevelopment plan for the Montebello Economic Revitalization Project was approved by the City Council of the City on June 28, 1982, pursuant to Ordinance No. 1972, and has been amended from time to time;

WHEREAS, to finance and refinance projects within the Project Areas, the Predecessor Agency issued several series of tax allocation bonds payable from tax increment derived from the respective Project Areas (the “Predecessor Agency Bonds”);

WHEREAS, on June 28, 2011, the California Legislature adopted ABx1 26, *inter alia*, dissolving existing redevelopment agencies, including the Predecessor Agency;

WHEREAS, the California Supreme Court substantially upheld the provisions of ABx1 26 on December 29, 2011, resulting in the dissolution of the Predecessor Agency on February 1, 2012;

WHEREAS, the remaining powers, assets and obligations of the Predecessor Agency were transferred to the Successor Agency to the Community Redevelopment Agency of the City of Montebello (the “Successor Agency”) pursuant to ABx1 26 on February 1, 2012;

WHEREAS, on June 27, 2012, AB 1484 was adopted and specifically authorizes the issuance of refunding bonds by the Successor Agency under the authority of Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and provides in Section 34177.5(a)(1) of the Health and Safety Code that “[t]he successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, and that pledge, when made in connection with the issuance of such

refunding bonds or other indebtedness, shall have the same lien priority as the pledge of the bonds or other obligations to be refunded, and shall be valid, binding and enforceable in accordance with its terms”;

WHEREAS, AB 1484 specifically provides in Section 34177.5(g) of the Health and Safety Code that “[a]ny bonds . . . authorized by [Section 34177.5] shall be considered indebtedness incurred by the dissolved redevelopment agency, *with the same legal effect as if the bonds . . . had been issued, incurred, or entered into prior to June 29, 2011, in full conformity with the applicable provisions of the Community Redevelopment Law that existed prior to that date . . .*” (emphasis added);

WHEREAS, the Successor Agency desires to achieve debt service savings and therefor assist the local taxing entities by refunding all or a portion of certain of the Predecessor Agency Bonds identified in Exhibit B hereto (the “Designated Predecessor Agency Bonds”) with the proceeds of its Subordinate Tax Allocation Refunding Bonds, Series 2015A (Tax-Exempt) (the “2015A Bonds”), and Subordinate Tax Allocation Refunding Bonds, Series 2015B (Taxable) (the “2015B Bonds” and, together with the 2015A Bonds, the “Bonds”);

WHEREAS, the Successor Agency has determined that, based on current conditions in the municipal bond market, it will achieve debt service savings as evidenced by the analysis prepared by its Financial Advisor, First Southwest Company, describing potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the refunding of the Predecessor Agency Bonds (the “Debt Service Savings Analysis”), and such Debt Service Savings Analysis shall be submitted to the California Department of Finance contemporaneously with this Resolution;

WHEREAS, the issuance of the Bonds will comply with the provisions of Section 34177.5(a)(1) of the Health and Safety Code; and

WHEREAS, the Oversight Board of the Successor Agency (the “Board”) hereby finds that issuance and delivery of the Bonds is desirable and is in the best interests of the Successor Agency and the taxing entities;

NOW THEREFORE, the Board resolves as follows:

Section 1. Findings. Based upon the staff report as presented in connection with this matter, the Board hereby finds and determines that the recitals hereto are true and correct.

Section 2. Approval and Direction. The Board hereby approves the Resolution of the Successor Agency attached hereto in Exhibit A (the “Successor Agency Resolution”) and directs the Successor Agency to implement the purposes of the Successor Agency Resolution in order to achieve debt service savings with respect to the Designated Predecessor Agency Bonds in accordance with the provisions of Section 34177.5(a)(1) of the Health and Safety Code.

Section 3. Determinations by the Board. As requested by the Successor Agency in the Successor Agency Resolution, the Board hereby makes the determinations contained in Section 4 of the Successor Agency Resolution with respect to the Designated Predecessor Agency Bonds as though they were each fully set forth herein, and the Successor Agency shall rely upon such determinations in undertaking the refunding proceedings and the issuance, sale and delivery of the Bonds.

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The foregoing Resolution was duly and regularly adopted at a regular meeting of the Oversight Board to the Successor Agency to the Community Redevelopment Agency of the City of Montebello held on _____, 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

CHAIR

ATTEST:

Oversight Board Secretary

EXHIBIT A
SUCCESSOR AGENCY RESOLUTION

EXHIBIT A

RESOLUTION NO. _____

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF MONTEBELLO AUTHORIZING THE ISSUANCE OF REFUNDING TAX ALLOCATION BONDS IN ONE OR MORE SERIES ON A TAX-EXEMPT AND/OR TAXABLE BASIS TO REFINANCE CERTAIN OUTSTANDING OBLIGATIONS, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$36,000,000 AND APPROVING AN INDENTURE AND AUTHORIZING CERTAIN ACTIONS RELATING THERETO

WHEREAS, the Community Redevelopment Agency of the City of Montebello (the “Predecessor Agency”) was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the “Health and Safety Code”), and the powers of the Predecessor Agency included the power to issue bonds and enter into obligations for any of its corporate purposes;

WHEREAS, the original redevelopment plan for the Montebello Hills Project Area was approved by the City Council of the City of Montebello (the “City”) on June 19, 1975, pursuant to Ordinance Nos. 1577 and 1578, and has been amended from time to time (the “Montebello Hills Project Area”);

WHEREAS, the original redevelopment plan for the South Montebello Industrial Project Area was approved by the City Council of the City on July 23, 1973, pursuant to Ordinance No. 1492, and has been amended from time to time (the “South Montebello Industrial Project Area” and, together with the Montebello Hills Project Area, the “Project Areas”);

WHEREAS, the original redevelopment plan for the Montebello Economic Revitalization Project Area was approved by the City Council of the City on June 28, 1982, pursuant to Ordinance No. 1972, and has been amended from time to time;

WHEREAS, to finance and refinance projects within the Project Areas, the Predecessor Agency issued several series of tax allocation bonds payable from tax increment derived from the respective Project Areas (the “Predecessor Agency Non-Housing Bonds”);

WHEREAS, the Predecessor Agency also issued bonds that were payable from tax increment that was required to be deposited into the low and moderate income housing fund of the Predecessor Agency (the “Predecessor Agency Housing Bonds” and, together with the Predecessor Agency Non-Housing Bonds, the “Predecessor Agency Bonds”);

WHEREAS, on June 28, 2011, the California Legislature adopted ABx1 26, *inter alia*, dissolving existing redevelopment agencies, including the Predecessor Agency;

WHEREAS, the California Supreme Court substantially upheld the provisions of ABx1 26 on December 29, 2011, resulting in the dissolution of the Predecessor Agency on February 1, 2012;

WHEREAS, the remaining powers, assets and obligations of the Successor Agency to the Community Redevelopment Agency of the City of Montebello (the “Successor Agency”) were transferred to the Successor Agency pursuant to ABx1 26 on February 1, 2012;

WHEREAS, on June 27, 2012, AB 1484 was adopted and specifically authorizes the issuance of refunding bonds by the Successor Agency under the authority of Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and provides in Section 34177.5(a)(1) of the Health and Safety Code that “[t]he successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, and that pledge, when made in connection with the issuance of such refunding bonds or other indebtedness, shall have the same lien priority as the pledge of the bonds or other obligations to be refunded, and shall be valid, binding and enforceable in accordance with its terms”;

WHEREAS, AB 1484 specifically provides in Section 34177.5(g) of the Health and Safety Code that “[a]ny bonds . . . authorized by [Section 34177.5] shall be considered indebtedness incurred by the dissolved redevelopment agency, *with the same legal effect as if the bonds . . . had been issued, incurred,*

or entered into prior to June 29, 2011, in full conformity with the applicable provisions of the Community Redevelopment Law that existed prior to that date . . .” (emphasis added);

WHEREAS, the Successor Agency desires to achieve debt service savings and therefor assist the local taxing entities by refunding or prepaying all or a portion of certain of the Predecessor Agency Bonds identified in Exhibit A hereto with the proceeds of its Subordinate Tax Allocation Refunding Bonds, as the Chair, Vice-Chair, Executive Director or any member of the Board, and their respective designees (each an “Authorized Representative”) in one or more series on a taxable or tax-exempt basis (the “Bonds”) through a public sale;

WHEREAS, the issuance of the Bonds will comply with the provisions of Section 34177.5(a)(1) of the Health and Safety Code;

NOW THEREFORE, the Board resolves, determines and orders as follows:

Section 1. Findings. The Board hereby finds and determines that the recitals hereto are true and correct.

Section 2. Refunding and Payment Approved. The Board hereby approves the issuance and delivery of the Bonds in an aggregate principal amount not to exceed \$36,000,000, in one or more series on a taxable or tax-exempt basis, and the public sale of the Bonds on a negotiated basis. The Bonds shall achieve debt service savings for the Successor Agency in accordance with the provisions of Section 34177.5(a)(1) of the Health and Safety Code. The maximum aggregate underwriter’s discount from the principal amount of the Bonds shall not exceed 0.90% of the aggregate principal amount of such Bonds, plus net premium or less net original issue discount.

The refunding of the Predecessor Agency Bonds identified in Exhibit A is hereby authorized and approved. Any Authorized Representative is hereby authorized on behalf of the Successor Agency to purchase federal securities acceptable to Bond Counsel and authorized for the Predecessor Agency Obligations, including non-callable State and Local Government Series obligations of the United States of America issued by the Bureau of Public Debt and/or certain direct obligations of the United States of America purchased on the open market, in such amounts, maturing at such times and bearing such rates of interest as shall be necessary to pay when due the Predecessor Agency Bonds as provided in an escrow agreement or escrow instruction delivered in connection with the refunding or prepayment, and to take such other action he or she may deem necessary or appropriate to effectuate the purchase of such obligations.

Section 3. Indenture. To prescribe the terms and conditions upon which the Bonds are to be issued, secured, executed, authenticated and held, an Indenture proposed to be executed and delivered by the Successor Agency and The Bank of New Mellon Trust Company, N.A. (the “Trustee”), in substantially the form on file with the Secretary, a copy of which has been made available to the Board, is hereby approved, and any Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to execute, and the Secretary is authorized to attest and deliver each Indenture to the Trustee in substantially such form, with such changes (including, without limitation, changes relating to the issuance of a municipal bond insurance policy and/or a surety bond for a debt service reserve fund or such changes as may be requested by a rating agency providing a rating on the Bonds) as may be approved by any Authorized Representative, acting on behalf of the Successor Agency, subject to advice of counsel, such execution thereof to constitute conclusive evidence of the approval of the Successor Agency of all changes from the form of such Indenture presented to this meeting. An Authorized Representative may approve such changes, including with respect to authorized denominations of and transfer provisions for the Bonds, that are necessary or desirable in connection with a private placement of all or a portion of the Bonds, if any.

Section 4. Determinations by the Oversight Board. The Successor Agency requests that the Oversight Board of the Successor Agency to the Community Redevelopment Agency of the City of Montebello (the “Oversight Board”) make the following determinations upon which the Successor Agency will rely in undertaking the refunding proceedings and the issuance, sale and delivery of the Bonds:

(a) The Successor Agency is authorized, as provided in Section 34177.5(f), to recover its costs related to the issuance of the Bonds from the proceeds of the Bonds, including the cost of reimbursing the City for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Bonds;

(b) The application of proceeds of the Bonds by the Successor Agency to the refunding and defeasance of the Predecessor Bonds, as well as to the payment by the Successor Agency of all costs of issuance of the Bonds, as provided in Section 34177.5(a), shall be implemented by the Successor Agency promptly upon sale and delivery of the Bonds, and, notwithstanding Section

34177.3 or any other provision of law to the contrary, no further approval of the Oversight Board, the California Department of Finance, the Los Angeles County Auditor-Controller or any other person or entity other than the Successor Agency shall be required;

(c) The Successor Agency shall be entitled to receive its full “Administrative Cost Allowance” as defined and described under Section 34181(a)(3) without any deductions with respect to continuing costs related to the Bonds, such as trustee’s fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, “Continuing Costs of Issuance”), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183. In addition and as provided by Section 34177.5(f), if the Successor Agency is unable to complete the issuance of the Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings from such property tax revenues pursuant to Section 34183 without reduction in its Administrative Cost Allowance.

Section 5. General Authorization. Each Authorized Representative and any other officer of the Successor Agency is hereby authorized to execute and deliver any and all agreements (including, but not limited to, investment agreements, bond insurance, reserve fund surety policies, guaranteed investment agreements, escrow agreements or escrow instructions), documents, certificates and instruments and to do and cause to be done any and all acts and things deemed necessary or advisable for carrying out the transactions contemplated by this Resolution, including, revising series designations, and acquiring any necessary consent of municipal bond insurers insuring the Bonds. Such actions heretofore taken by such officers or their designees are hereby ratified, confirmed and approved.

Section 9. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED and ADOPTED this ____ day of May 2015, by the following vote:

AYES:

NOES:

ABSENT:

JACK HADJINIAN

Chair of the Successor Agency to the Community
Redevelopment Agency of the City of Montebello

Attest:

DANIEL HERNANDEZ

Secretary of the Successor Agency to the
Community Redevelopment Agency of
the City of Montebello

EXHIBIT A

CERTAIN OUTSTANDING PREDECESSOR AGENCY BONDS

	<u>Predecessor Agency Bonds</u>
1.	\$7,160,000 Montebello Hills Redevelopment Project 1997 Tax Allocation Parity Refunding Bonds
2.	\$7,960,000 Montebello Hills Redevelopment Project Tax Allocation Parity Refunding Bonds, 1998 Series A
3.	\$4,285,000 Montebello Hills Redevelopment Project Taxable Tax Allocation Parity Bonds, 1998 Series B
4.	\$1,510,000 Montebello Hills Redevelopment Project Tax Allocation Parity Bonds, 1999 Series A
5.	\$10,495,000 Montebello Hills Redevelopment Project Tax Allocation Bonds, 2009 Series A (Subordinate Lien)
6.	\$8,260,000 South Montebello Industrial Redevelopment Project Tax Allocation Parity Refunding Bonds, 1999 Series A
7.	\$4,145,000 South Montebello Industrial Redevelopment Project Tax Allocation Parity Refunding Bonds, 1999 Series B
8.	\$5,557,642 2002 Housing Tax Allocation Parity Bonds
9.	\$8,860,000 Housing Tax Allocation Parity Refunding Bonds, 2007 Series A

EXHIBIT B

CERTAIN OUTSTANDING PREDECESSOR AGENCY BONDS

	<u>Predecessor Agency Bonds</u>
1.	\$7,160,000 Montebello Hills Redevelopment Project 1997 Tax Allocation Parity Refunding Bonds
2.	\$7,960,000 Montebello Hills Redevelopment Project Tax Allocation Parity Refunding Bonds, 1998 Series A
3.	\$4,285,000 Montebello Hills Redevelopment Project Taxable Tax Allocation Parity Bonds, 1998 Series B
4.	\$1,510,000 Montebello Hills Redevelopment Project Tax Allocation Parity Bonds, 1999 Series A
5.	\$10,495,000 Montebello Hills Redevelopment Project Tax Allocation Bonds, 2009 Series A (Subordinate Lien)
6.	\$8,260,000 South Montebello Industrial Redevelopment Project Tax Allocation Parity Refunding Bonds, 1999 Series A
7.	\$4,145,000 South Montebello Industrial Redevelopment Project Tax Allocation Parity Refunding Bonds, 1999 Series B
8.	\$5,557,642 2002 Housing Tax Allocation Parity Bonds
9.	\$8,860,000 Housing Tax Allocation Parity Refunding Bonds, 2007 Series A